

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JUNE 6, 2002

PRESENT: Chairman John Byrne and Commissioners Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; George Tsiopras, Chief Accountant; Nicole Horton, Wine Marketing Specialist; Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouses

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending June 2, 2002 shows retail sales were up about 1.9%, on-premise sales were up 4.6%, off-premise sales were up around 16.5%, and total aggregate sales were up 4.5%. The traffic count was up by 760, as was the average sale by \$.04.

The current W-I Total Weekly Sales report confirms total sales were up over the same week last year by approximately 4.5% or \$247,071, and were also up for the year by 7% or \$19,889,541. Wine sales increased for the week by almost 6% or \$143,045, as they were by 10% or \$12,630,565 for the year. Sales of spirits for the week were up by almost 3% or \$93,666 over last year, and were also up year-to-date by 5.3% or \$8,332,034.

B. Budget Reports:

Regarding outstanding depletions and post-offs, Craig said that all accounts are current, as charges from May are not due yet.

A conference call was held with Fleet Bank relative to gift cards. Fleet will provide the Commission with printed information and a proposal. Confirmation will be needed that the process will work with the ACR hardware. The program is targeted to begin in October; Craig will keep the Commission updated. It will probably go into effect in the stores at a point when the present credit card contract needs to be extended. Craig will also speak with Citizens Bank, which may be the other major contender for the contract.

The current W-6 Expense Budget Activity Report indicates that expenditures should be at about 92.88% for this time of the year, with actual agency expenditures at 87.54%. There are some small minor deficits in Salaries and Benefits, with a close watch on Current Expenses. George said that, although some categories may be a little tight, the budget should be fine. The threshold

for building improvement is now \$100,000, which will probably be reached. A \$20,000 transfer request is on the Fiscal Committee agenda for next week.

Work is being done on year-end reports and on asset capitalization, which should be of help to Accounting.

Craig said he has been working with ACR regarding an agreement to continue their contract with the Commission for two more years. The agreement will most likely not be ready for Governor and Council until their first meeting in July. \$300,000 to \$400,000 will need to be budgeted for this purpose. This will give the Commission time to determine if there is a better option.

2. IT Reports

The walls on the new closet in the computer room are being put up today.

The Dell training sessions are proceeding as planned, with new desktops scheduled to be put in for everyone next week. There will be a brief training session for those receiving the new computers to be given the day of installation. This Saturday night the new servers will be installed, which will cause a brief disruption in the middle of the night. However, the stores should be fully functional.

Howard attended a meeting at DITM relative to having all agencies having licensing functions meet to come up with an entire systems package applicable to all of them. It is anticipated that this will include tobacco licensing in the future. Chairman Byrne asked Howard to touch base with Enforcement regarding this.

In response to an inquiry from Commissioner Maiola, Howard said that an additional register will go over to the new Conway store location, probably within the next week or so.

II. MARKETING & SALES REPORTS

1. Store Operations

The W-8 Sales Analysis by location report for the week ending 6/2/02 versus 6/3/01 last year shows total store sales increased by 107,627.51 or about 2.4%. The weather probably influenced these numbers, and several stores were closed on Friday and Saturday for a few hours.

The paving project at Store #38 Portsmouth is progressing, with the north parking lot being paved tomorrow. Next week work will begin in the loading

dock area. So far, there have been no problems with customers entering and exiting the store.

Peter will be meeting with Tom Manning of Personnel regarding temporary employees and what they will be paid for working holidays.

A. 2002 Summer Season Security Details:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve 2002 summer security details for the state stores, effective July 4, 2002 through Monday, October 8, 2002 (to include the July 4th weekend, NASCAR Winston Cup Races in July and September, Labor Day weekend and Columbus Day weekend), as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2. Warehouse Report

There was nothing of significance to note regarding the latest Concord Warehouse report.

3. Purchasing Report

John Bunnell had nothing to comment on concerning the current out-of-stock report.

4. Merchandising Report

A. SPIRITS:

1) Test Market:

a. Test Market Request (Gaetano Long Island Iced Tea):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company/Shaw-Ross International for a new test market listing for Gaetano Long Island Iced, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Espolon Anejo Tequila):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon

Beverage Company/Shaw-Ross International for a new test market listing for Espolon Anejo Tequila, 750ML size (assigned Code #3737), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (White Horse Scotch):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that this item be referred back to the Marketing Department for further study and evaluation, as requested by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Limonce Lemon Liqueur):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of N.H./Distillerie Stock USA, Ltd. for a new test market listing for Limonce Imported Lemon Liqueur, liter size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Request (Polar Ice Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./McCormick Distilling Co., Inc. for a new test market listing for Polar Ice Vodka, 750ML size (assigned Code #3670), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Test Market Request (Luksusova 100 Proof Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Adamba Imports International for a new test market listing for Luksusova 100 Proof Vodka, 750ML size (assigned Code #3758), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. Test Market Request (Pellegrino Lemoncello Liqueur):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Frederick Wildman & Sons Brands for a new test market listing for Pellegrino Lemoncello Liqueur, 750ML size (assigned Code #6106), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- h. Test Market Request (Tears of Scotland Malt Scotch):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Adamba Imports for a new test market listing for Tears of Scotland, 750ML size (assigned Code #4818), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- i. Test Market Request (Kutskova Imported Russian Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./M.S. Walker, Inc. for a new test market listing for Kutskova Imported Russian Vodka, 750ML size (assigned Code #3537), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- j. Test Market Recommendation (Codes #2158 & #4680):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant specialty listings to Code #2158, Sortilege Liqueur, 375ML size and Code #4680, Meukow VSOP Cognac, 750ML size, both of which failed to attain their respective gross profits required for full distribution during a six-month test market period, but did exceed the gross profits required for specialty listings, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- k. Test Market Recommendation (Code #2614):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the delisting of Code #2614, Dewars 12-Year Old, 1.75L size, as this item failed to earn it's required gross profit during a six-month test market period and, as a line extension, does not qualify for a specialty listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Line Extensions:

a. Old Smuggler Scotch Whiskey:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA for an added size listing for Old Smuggler Scotch, 750ML size (assigned Code #2399), as this brand in the 1.75L size has exceeded the gross profit required for a line extension, as recommended by Richard Gerrish, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Gilbeys Vodka:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands LLC for an added size listing for Gilbeys Vodka, 750ML size (assigned Code #3666), as this brand in the 1.75L size has exceeded the gross profit required for a line extension, as recommended by Richard Gerrish, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Added Size (Captain Morgan Parrot Bay PET):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Seagram Americas for an added size listing for Captain Morgan Parrot Bay, 750ML PET size (assigned Code #4290), as this brand in both the 1.75L size and regular 750ML size have exceeded their respective gross profits required for a line extension, as recommended by Richard Gerrish, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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4) Requested Sale Price Change (Jack Daniel's):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company to accept the sale price of Jack Daniel's, 1.75L size, to include the entire sales period during the upcoming Fourth of July Sale (June 27 through July 28, 2002), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Requested Price Reduction (Hiram Walker Triple Sec):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company/Allied Domecq USA to lower the retail price of Code #628, Hiram Walker Triple Sec, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) July Special Offer (Malibu):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from United Beverages, Inc./Allied Domecq, based upon depletions of Code #5734, Malibu Rum, 1.75L size, which will be featured on sale during July 2002, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) September Wine Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the placement of all Australian, New Zealand and South African wines (mixed or matched) during the September Wine Sale, beginning August 26 through September 29, 2002 in the following manner: 10% off the purchase of 6-8 bottles; 15% off the purchase of 9-11 bottles; 20% off the purchase of 12 or more bottles, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Revised Scheduled Wine Tastings (Two * Added):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the revised schedule of planned wine

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tastings for the next year to include two additional tastings at Strawberry Bank in Portsmouth and the Capital Center for the Arts in Concord, as submitted by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS - None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all reviewed requests for bailment releases/transfers dated May 31 through June 6, 2002. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

